

MORTGAGED RURAL HOMES— CHARACTERISTICS OF HOUSING UNITS AND OCCUPANTS

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ABSTRACT

Most mortgaged homes have complete plumbing and other conveniences necessary for sanitation. Most mortgage borrowers had complete plumbing in their previous residence. Compared with other types of mortgages, homes financed through Farmers Home Administration (FmHA) programs were smaller with fewer rooms, bedrooms, and bathrooms. A higher proportion of FmHA loans, compared with other mortgage types, went to lower income families, female-headed households, heads with less formal education, Blacks and other minorities, welfare recipients, and former renters. Most mortgage holders were satisfied with their housing, neighborhood, and community services.

Keywords: Housing, Credit, Financing rural housing, Rural areas, Home mortgages, Farmers Home Administration, Veterans Administration, Federal Housing Administration, Conventional mortgages.

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HIGHLIGHTS

Three-fifths of all rural homeowners had a mortgage on their home in 1976. Three-fourths of those mortgages were conventional, 11 percent were insured by the Federal Housing Administration (FHA), 8 percent were guaranteed by the Veterans Administration (VA), and 6 percent were insured by the Farmers Home Administration (FmHA).

The previous and present homes of almost all rural home mortgage borrowers had complete plumbing (a mark of housing quality).

Borrowers with VA mortgages had the highest household incomes, with a median income of \$18,700. Households with conventional and FHA-insured mortgages had a median income of about \$15,000. Homeowners with FmHA-insured mortgages had much lower incomes, a median of \$10,400.

Mobile homes were most likely to be financed with conventional mortgages. More than one-fourth of the conventional mortgages were for purchase of mobile homes. Conventional mortgage loans to moderate- and low-income families appear to be most feasible when the loan is to purchase a mobile home. The median household income of mobile home owners with conventional mortgages was \$11,400. Borrowers using a conventional mortgage loan to purchase a fixed-site, single-unit home had a median income of \$19,000.

Homes of FmHA borrowers had less living space (average number of total rooms, bedrooms, and bathrooms) than did homes financed with a conventional, VA, or FHA mortgage.

Homes of VA borrowers were the most valuable, with a median value of \$38,700, slightly ahead of the \$37,800 median for conventional mortgage borrowers. FHA and FmHA borrowers owned homes valued considerably less, with median values of \$31,700 and \$24,400, respectively.

A larger proportion of FmHA loans went to younger household heads, to Blacks and other minorities, and to female household heads than was true for conventional, VA, or FHA mortgage loans.

More than three-fifths of the home buyers with conventional mortgages owned their previous residence. But 80 percent of FmHA borrowers were renters in their previous homes; they paid about \$40 less a month for rent than did conventional mortgage borrowers who had previously rented.

Over 50 percent of the FmHA borrowers who owned their previous residence stated that their previous home was worth less than \$5,000 in 1976. This compared with purchasers using FHA, VA, and conventional mortgages whose previous homes were generally valued at \$25,000 or more.

Homeowners with mortgages were generally satisfied with the location of their present homes with respect to community services.

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INTRODUCTION

An important goal of Federal housing policies and programs is to enable every American family to have an opportunity to live in safe, decent, sanitary housing located in a desirable neighborhood. Since constructing, remodeling, selling, and financing homes are private sector activities in the United States, the main thrust of U.S. Government housing programs has been to increase home purchases by guaranteeing and insuring mortgages.

Guaranteeing or insuring mortgages reduces the risk to the lender and may result in housing loans being made that might otherwise be rejected by lenders. It also encourages private lenders to make home loans with smaller downpayments and longer repayment terms. Moreover, insuring loans enhances the marketability of the mortgage in the secondary mortgage market should the originator or holder desire to sell the mortgage to withdraw investment funds for other uses.

The major Federal agencies involved in guaranteeing and insuring housing loans are the Federal Housing Administration (FHA), the Veterans Administration (VA), and the Farmers Home Administration (FmHA). Each has information on the type of borrowers and the characteristics of the housing units it has helped finance. Rural activities of these agencies, however, differ from their urban activities. ^{1/} For the rural areas especially, data have not been separately reported. The lack of such information handicaps program planners and policymakers in evaluating present housing programs and in planning new ones for rural areas.

The objectives of this study were: to determine and compare characteristics of rural homes purchased by mortgage borrowing through conventional mortgage loans

^{1/} A rural/urban comparison of FmHA borrowers, using the 1976 Annual Housing Survey, showed that 69 percent of FmHA home mortgage loans were made in rural areas and 31 percent in urban areas. Rural areas were defined as open country and towns with a population of less than 2,500. However, FmHA is authorized to make housing loans in towns and cities with a population of up to 20,000 not inside an SMSA. (A standard metropolitan statistical area -- SMSA -- is made up of a county or group of counties with a city of at least 50,000 inhabitants or twin cities with a combined population of 50,000.) The rural-urban comparison is referred to in the text, but the urban tables are not included because of their number.

and through the Federal housing programs of FmHA, FHA, and VA; to analyze and compare the socioeconomic characteristics of households obtaining those types of mortgages; to ascertain and compare the quality of housing such borrowers occupied before receiving their present mortgage; and to determine and compare how well the households who have borrowed to purchase a home are satisfied with their housing, neighborhood, and community facilities.

Data used in this study were obtained from the 1976 Annual Housing Survey conducted by the Department of Commerce, Bureau of the Census, and the U.S. Department of Housing and Urban Development. 2/

This report is restricted to first mortgages placed on the principal residence of owner occupants. Special emphasis was given to FmHA mortgage borrowers and their housing. Unlike the VA-guaranteed and FHA-insured loans, FmHA-insured loans are made directly to the borrower by FmHA and are supervised by FmHA county supervisors. Also, FmHA loans have been restricted to low- and moderate-income families living in rural areas. To be eligible for an FmHA housing loan, the applicant must not currently own an adequate home, meet income requirements, be unable to improve his housing with his own resources, and be unable to obtain a loan from a private lender on terms that the borrower can be reasonably expected to meet. The authority for FmHA lending is set forth in the National Housing Act of 1949, as amended.

To show current and past conditions, the data were divided into two time periods and grouped under recent mortgage loans and older mortgage loans. Recent mortgage loans include all borrowers placing a mortgage and moving into their homes in 1975-76. Older mortgage loans include all borrowers placing a mortgage and moving into their homes prior to 1974.

CHARACTERISTICS OF MORTGAGED RURAL HOUSING IN 1976

Three-fifths of all rural owner occupants had a mortgage on their home in 1976. FHA insured 11 percent of these, VA guaranteed 8 percent, and FmHA insured 6 percent; 75 percent reported conventional mortgages on their homes. The following material is restricted to those homes with a mortgage.

Type of Structure

The detached, single-unit structure is by far the most popular type of housing in the Nation, particularly in rural areas. In 1976, 92 percent of all rural households lived in single-unit structures, 13 percent of which were mobile

2/ Interviewing for the 1976 Annual Housing Survey was done in October-December 1976. One of every 500 households living in rural areas was interviewed. Housing analyzed included only those homes located on lots of less than 10 acres. The age of the mortgage was determined from the year the head moved into his or her present residence. It was assumed that borrowers placed a mortgage at about the same time they moved into their homes.

homes. 3/ Mobile homes have gained rapidly in popularity in the last several years, especially in rural areas.

Only owner-occupied single-unit homes, either fixed-site or mobile, were analyzed in this study for information on households and housing by type of financing. 4/

Of the recent FmHA mortgage borrowers, 98 percent had purchased single-unit, fixed-site housing and 2 percent had purchased mobile homes (table 1). Similar tabulations for urban areas found that all of the FmHA-financed mobile homes were located in rural portions of the FmHA lending area. These were probably double-wide units on permanent foundations.

Mobiles were one-fourth of all rural homes financed by conventional loans in 1974-76. There were fewer mobile homes among those homes purchased and financed before 1974. And a larger proportion of the older mortgages made to purchase mobile homes were conventional loans. Only in recent years have Federal housing programs been active in mobile home financing.

Table 1--Housing structure: Distribution of rural mortgages, by type of housing structure and by mortgage type, 1976

Structure	Type of mortgage			
	FmHA	FHA	VA	Conventional
	Percent			
Recent mortgages: <u>1/</u>				
Mobile home	2.3	8.8	2.0	26.2
Fixed-site	97.7	91.2	98.0	73.8
Older mortgages: <u>2/</u>				
Mobile home	.4	1.8	3.7	11.3
Fixed-site	99.6	98.2	96.3	88.7

1/ Mortgage loans obtained during 1974-76.

2/ Mortgage loans obtained before 1974.

Source: 1976 Annual Housing Survey.

3/ U.S. Department of Commerce, Bureau of Census, 1976 Annual Housing Survey, Part E, Urban and Rural Housing Characteristics.

4/ Fixed-site homes are all single-unit homes other than mobile homes. These include not only site-built homes, but also those built with various amounts of off-site manufacture or prefabrication.

Value

The housing value used in this study is based on the owner's estimate of what his house and lot would have sold for in 1976. While these estimates differ from the values that prevailed when the mortgage was obtained, they do reflect current housing quality.

The median value of recent FmHA borrowers' homes was \$24,371 (table 2). Over 18 percent of the recent FmHA-financed homes were valued at less than \$20,000.

Table 2--Value: Distribution of rural mortgages, by value of the housing unit and by mortgage type, 1976

Housing unit value	Type of mortgage			
	FmHA	FHA	VA	Conventional
<u>Dollars</u>				
<u>Percent</u>				
Recent mortgages: 1/				
Less than 15,000	6.8	4.9	2.2	11.2
15,000 to 19,999	11.7	7.7	3.9	6.7
20,000 to 24,999	36.0	14.9	6.6	5.7
25,000 to 29,999	22.1	17.6	11.8	7.8
30,000 to 34,999	13.1	14.7	14.3	11.6
35,000 to 39,999	5.3	8.4	15.3	12.5
40,000 and over	5.0	31.8	45.9	44.5
Total	100.0	100.0	100.0	100.0
<u>Dollars</u>				
Median value	24,371	31,675	38,654	37,771
<u>Percent</u>				
Older mortgages: 2/				
Less than 15,000	13.9	8.0	3.8	9.9
15,000 to 19,999	17.2	12.2	8.9	8.4
20,000 to 24,999	20.6	14.0	11.6	8.9
25,000 to 29,999	18.4	18.5	17.1	11.7
30,000 to 34,999	13.9	13.8	13.3	13.1
35,000 to 39,999	8.3	12.5	11.9	11.6
40,000 and over	7.7	21.0	33.4	36.4
Total	100.0	100.0	100.0	100.0
<u>Dollars</u>				
Median value	24,576	29,271	33,259	34,224

1/ Mortgage loans obtained during 1974-76.

2/ Mortgage loans obtained before 1974.

Source: 1976 Annual Housing Survey.

Of homes financed with older FmHA-insured mortgages, 31 percent were valued at less than \$20,000. However, the median values of FmHA-financed homes with recent and older mortgages were about the same.

Recent FmHA-financed homes were typically only about two-thirds as valuable as those purchased with recent VA-guaranteed and conventional loans, and three-fourths as valuable as FHA-financed homes. FmHA houses, though meeting modern quality standards, were more modest.

Number of Rooms

The median size of homes financed by recent FmHA loans was 5.2 rooms, slightly less than those financed with older mortgages (table 3). VA-financed homes were the largest in number of rooms, followed by those financed with FHA and conventional loans. FmHA's mission is to provide adequate, but modest, housing to moderate- and low-income households.

Table 3--Rooms: Distribution of rural mortgages, by number of rooms in residence and by mortgage type, 1976

Number of rooms	Type of mortgage			
	FmHA	FHA	VA	Conventional
	<u>Percent</u>			
Recent mortgages: <u>1/</u>				
One to four	8.1	5.5	5.8	23.4
Five	59.5	39.7	27.5	27.4
Six	23.4	29.3	31.3	21.3
Seven	5.7	13.7	20.2	12.7
Eight or more	3.3	11.8	15.2	15.2
	<u>Number</u>			
Median number	5.2	5.7	6.0	5.5
	<u>Percent</u>			
Older mortgages: <u>2/</u>				
One to four	10.4	6.3	6.3	12.6
Five	50.1	35.7	24.8	27.4
Six	21.3	31.4	33.9	27.3
Seven	9.9	14.4	19.4	16.3
Eight or more	8.3	12.2	15.6	16.4
	<u>Number</u>			
Median number	5.3	5.8	6.1	5.9

1/ Mortgage loans obtained during 1974-76.

2/ Mortgage loans obtained before 1974.

Source: 1976 Annual Housing Survey.

Bedrooms and Bathrooms

Homes of only 5 percent of the recent FmHA borrowers had four or more bedrooms (table 4). The four-bedroom home was much more prevalent among borrowers using financing other than FmHA. This was true for both the older and recent borrower groups. Among the recent home loans of other types, 29 percent of FHA borrowers and 17 percent of conventional mortgage borrowers had four bedrooms in their homes. Of all homes financed with older FmHA mortgages, 13 percent had 4 bedrooms, more than double the rate in more recent FmHA financed homes.

About three-fourths of the recently FmHA-financed homes had only a single bathroom; homes with older FmHA mortgages more often had more bathrooms. The incidence of homes with two or more bathrooms was much higher among borrowers with mortgages other than FmHA. With the exception of FmHA borrower homes, multiple bathrooms were increasingly common.

Table 4--Bedrooms and bathrooms: Distribution of rural mortgages, by number of bedrooms and bathrooms in residence and by mortgage type, 1976

Number of bedrooms and: bathrooms :	Type of mortgage			
	FmHA	FHA	VA	Conventional
Bedrooms:				
Recent mortgages-- <u>1/</u> :				
One or less :	1.0	0.8	0.7	2.8
Two :	11.8	13.6	8.3	30.5
Three :	82.0	65.8	62.0	49.2
Four or more :	5.2	19.8	29.0	17.5
Older mortgages-- <u>2/</u> :				
One or less :	.7	.7	.3	1.3
Two :	14.9	13.5	12.5	21.8
Three :	71.0	65.5	62.0	56.7
Four or more :	13.4	20.3	25.2	20.2
Bathrooms:				
Recent mortgages-- <u>1/</u> :				
One complete :	73.1	42.8	31.0	43.8
One and one half :	13.9	18.9	16.1	15.6
Two or more :	13.0	38.3	52.9	40.6
Older mortgages-- <u>2/</u> :				
One complete :	66.8	52.6	41.5	46.1
One and one half :	16.6	17.3	22.9	21.3
Two or more :	16.6	30.1	35.6	32.6

1/ Mortgage loans obtained during 1974-76.

2/ Mortgage loans obtained before 1974.

1976 Annual Housing Survey.

Plumbing Facilities

The presence of hot and cold running water and a bathroom with a sink, stool, and either tub or shower for exclusive use of the household has often been used as the best single indicator of satisfactory housing quality. This assumes that housing with "complete plumbing" usually has other quality attributes expected in adequate housing.

Nearly all mortgaged homes had complete plumbing at survey time (table 5). This was true across mortgage types and the age of the mortgages. Since 10 percent of all--mortgaged and nonmortgaged--occupied housing in rural areas lacked complete plumbing in 1976, mortgaged homes, as a group, were of higher quality than nonmortgaged. One reason is that most families who qualified for a home mortgage obtained a large enough loan to afford a modern home. Also, lenders may have been more willing to make a loan for a house with complete plumbing and which was otherwise adequate, feeling that such a property offered better loan security.

Source of Water

An increasing proportion of mortgage-financed rural homes were being supplied with water from a public or private water system (table 6). A greater proportion of homes with Government-financed or guaranteed mortgages had central systems than did conventionally financed homes. And recently mortgaged homes had central water systems more often than did older mortgaged homes. In such systems, the water quality can be monitored and the water chemically treated if necessary.

The drilled well is generally the preferred alternative for those rural families who lack access to a water system and have to rely on other sources.

Table 5--Plumbing: Distribution of rural mortgages, by existence of complete plumbing in residence and by mortgage type, 1976

Complete plumbing	Type of mortgage			
	FmHA	FHA	VA	Conventional
	<u>Percent</u>			
Recent mortgages: <u>1/</u>				
Yes	100	100	100	98.5
No	0	0	0	1.5
Older mortgages: <u>2/</u>				
Yes	99.2	99.5	100	98.5
No	.8	.5	0	1.5

1/ Mortgage loans obtained during 1974-76.

2/ Mortgage loans obtained before 1974.

Source: 1976 Annual Housing Survey.

Table 6--Water: Distribution of rural mortgages, by source of water and type of well for residence and by mortgage type, 1976

Source of water and type of well	Type of mortgage			
	FmHA	FHA	VA	Conventional
Water source:				
Recent mortgages-- <u>1/</u> :				
Public or private system	68.9	77.9	81.2	53.5
Individual well	30.6	20.7	18.3	41.8
Other	.5	1.4	.5	4.7
Older mortgages-- <u>2/</u> :				
Public or private system	57.6	69.0	72.2	48.2
Individual well	39.5	29.8	27.5	48.3
Other	2.9	1.2	.3	3.5
Type of well: <u>3/</u> :				
Recent mortgages-- <u>1/</u> :				
Drilled	95.5	90.6	94.0	89.7
Dug	4.5	9.4	6.0	10.3
Older mortgages-- <u>2/</u> :				
Drilled	85.1	89.5	93.8	89.5
Dug	14.9	10.5	6.2	10.5

1/ Mortgage loans obtained during 1974-76.

2/ Mortgage loans obtained before 1974.

3/ For those households lacking access to central water system.

Source: 1976 Annual Housing Survey.

Drilled wells are generally deeper than dug wells, increasing the likelihood of an adequate and ample water supply. Drilled wells can be cased and more easily sealed to avoid contamination from runoff water or other sources. Other types of water supply such as cisterns, springs, or ponds may be necessary in areas without a community water system and where there is not enough good quality underground water.

Of those households with recent FmHA loans and which used well water, 95.5 percent had a drilled well, compared with 85 percent of those with older FmHA mortgages. FmHA- and VA-financed homes with wells were more likely to have a drilled well than were those financed by FHA or conventional mortgages.

Type of Sewage Disposal

Almost 44 percent of the rural homes recently financed by FmHA were connected to a public sewage line; the rest had a septic tank or a cesspool (table 7).

able 7--Sewage: Distribution of rural mortgages, by type of sewage disposal for residence and by mortgage type, 1976

Sewage disposal	Type of mortgage			
	FmHA	FHA	VA	Conventional
Recent mortgages: <u>1/</u>	<u>Percent</u>			
Public sewer connection	43.7	48.6	53.3	26.4
Septic tank or cesspool	56.3	51.4	46.7	72.5
Other	0	0	0	1.1
Older mortgages: <u>2/</u>				
Public sewer connection	26.3	40.4	45.1	22.8
Septic tank or cesspool	73.7	59.4	54.9	76.2
Other	0	0	0	1.0

1/ Mortgage loans obtained during 1974-76.

2/ Mortgage loans obtained before 1974.

Source: 1976 Annual Housing Survey.

y contrast, only 26 percent of the homes with older FmHA mortgages were connected to a public sewer. Unpublished tabulations show that 78 percent of the recently FmHA-financed homes in urban areas, and over 90 percent of those with older loans, were on a sewage line.

omes with a recent conventional mortgage were least likely to be connected to sewage line. VA- and FHA-financed homes were most likely to be on a public sewage line. Nearly all homes financed by mortgage borrowing had either a public sewage system, a septic tank, or a cesspool, all of which are generally considered as acceptable sewage disposal systems.

Shelter Costs

able 8 shows the median amount that homeowners with recent mortgage loans are paying for fuel, real estate taxes, and fire insurance. Households heating with electricity had much higher fuel bills than did those using natural gas, bottled gas, or oil. And, as shown in the next section, FmHA borrowers are more likely than other borrower types to be heating their homes with electricity.

Type of Heating Fuel

electric heat was more common in recently financed homes than in homes with older mortgages, regardless of mortgage type. Over half of the homes recently

Table 8--Selected monthly rural shelter costs (median), excluding households with no expenditures for particular items, and by mortgage type, 1976

Selected median shelter costs	Type of mortgage			
	FmHA	FHA	VA	Conventional
	<u>Dollars</u>			
Recent mortgages: <u>1/</u>				
Electric heat	47	49	53	50
Nonelectric heat	24	29	28	29
Natural gas	18	18	21	21
Bottled gas	27	29	29	24
Oil	23	29	29	24
Real estate taxes	16	25	32	25
Home insurance	9	12	12	12
Older mortgages: <u>2/</u>				
Electric heat	51	53	58	58
Nonelectric heat	30	31	32	32
Natural gas	19	22	23	25
Bottled gas	33	34	30	33
Oil	27	29	30	29
Real estate taxes	15	23	29	25
Home insurance	9	10	11	11

1/ Mortgage loans obtained during 1974-76.

2/ Mortgage loans obtained before 1974.

Source: 1976 Annual Housing Survey.

financed by FmHA were heated by electricity, compared with about one-fourth of the homes with older FmHA mortgages (table 9). Electric heating was also more common in the recently FmHA-mortgaged homes than in homes recently financed by conventional, VA, or FHA mortgages.

CHARACTERISTICS OF HOUSING UNIT OCCUPIED BEFORE ACQUIRING PRESENT HOME

This section provides information on the last housing unit occupied by a household before acquiring its present home. If the borrower moved out of sub-standard housing into a new standard quality unit, the obvious result is to increase by one the number of American families who are adequately housed. The same result is achieved, however, when an adequate quality home previously occupied by the mortgage borrower becomes available to a poorly housed family.

Living Facilities

that their previous residence was a
or fixed-site structure (table 10).

Table 9--Heating: Distribution of rural mortgages, by type of heating fuel for residence and by mortgage type, 1976

Heating fuel	Type of mortgage			
	FmHA	FHA	VA	Conventional
	<u>Percent</u>			
Recent mortgages: <u>1/</u>				
Natural gas	26.4	39.0	46.0	29.7
Bottled gas	6.3	6.6	6.5	14.3
Fuel oil kerosene	11.4	13.4	10.8	22.4
Electricity	52.8	40.3	36.7	31.6
Other	3.1	.7	0	2.0
Older mortgages: <u>2/</u>				
Natural gas	30.4	40.4	47.0	35.2
Bottled gas	17.2	11.8	5.7	12.5
Fuel oil kerosene	22.4	23.4	21.7	30.9
Electricity	27.1	23.2	23.6	19.4
Other	2.9	1.2	2.0	2.0

1/ Mortgage loans obtained during 1974-76.

2/ Mortgage loans obtained before 1974.

Source: 1976 Annual Housing Survey.

Table 10--Structure, tenure, and plumbing: Distribution of recent mortgages, 1/ by type of structure, tenure, and plumbing facilities of previous residence and by mortgage type, for rural households which moved within 12 months before 1976 survey

Structure and tenure : and plumbing facilities:	Type of mortgage			
	FmHA	FHA	VA	Conventional
	<u>Percent</u>			
Structure:				
Single unit--				
Mobile home	14.3	7.7	14.2	17.0
Fixed-site	41.7	68.6	57.0	65.1
Duplex	13.6	6.3	10.3	6.0
Three or more	30.4	17.4	18.5	11.9
Tenure:				
Owned	19.4	43.2	48.8	61.9
Rented	80.6	56.8	51.2	38.1
Plumbing facilities:				
Yes	95.6	97.0	100.0	97.7
No	4.4	3.0	--	2.3

1/ Mortgage loans obtained during 1974-76.

Source: 1976 Annual Housing Survey.

This was a much lower percentage than those reported for FHA, VA, and conventional borrowers. FmHA borrowers were far more likely to have moved from multiple unit structures (three or more units) than were borrowers with other types of mortgage financing.

Homeownership is often considered the superior form of tenure in the United States. Government assistance in mortgage financing, such as FmHA's housing program which offers mortgage loans for the purchase of satisfactory but modest housing, stimulates homeownership. Over 80 percent of recent FmHA borrowers rented their previous residence (table 10). This is a much higher proportion of previous renters than was true of other borrowers.

The presence of complete plumbing facilities is an often used indicator of standard housing quality. Based on this measure of housing adequacy, nearly all home mortgage borrowers moved from one standard quality housing unit into another (table 10).

Rent and Value

To the extent that rent paid or value of home indicate housing adequacy, FmHA borrowers were less adequately housed in their previous residences than were other mortgage borrowers. FmHA borrowers paid a median rent of \$96 per month on their previous residence, far less than that paid by FHA, VA, and conventional borrowers (table 11).

Reasons for Moving

Respondents listed a number of reasons for moving into a different home (table 12). A desire to own their own home motivated about 63 percent of the households obtaining FmHA mortgage financing. Since most FmHA borrowers were previous renters, this figure was much higher than that for other types of financing.

CHARACTERISTICS OF RURAL HOUSEHOLDS OBTAINING HOME MORTGAGE LOANS

Income

Qualified home mortgage loan borrowers must have the savings necessary to meet the downpayment and sufficient steady income to meet housing payments, including principal, interest, taxes, and insurance as well as enough income to meet other household and living expenses.

Income is also a factor in determining the type and size of mortgage loan a family can obtain. Borrowers with VA mortgages had the highest median household income--\$18,652 (table 13).

When only mortgages on fixed-site homes were considered, the median income of conventional borrowers registered at over \$19,000, compared to \$15,679 (see table 13) when both mobile home and fixed-site structure owners were considered. Mobile home loans accounted for 26 percent of the recent conventional

Monthly rent/value	Type of mortgage			
	FmHA	FHA	VA	Conventional
<u>Dollars</u>				
			<u>Percent</u>	
Monthly rent:				
No cash rent	3.8	--	1.5	6.3
Less than 50	1.8	5.5	2.9	4.0
50 to 74	12.9	3.7	12.6	10.0
75 to 99	36.6	15.5	2.9	11.2
100 to 124	5.6	16.6	7.7	10.8
125 to 149	11.9	17.9	12.2	14.4
150 to 174	20.7	16.4	22.9	13.3
175 to 199	--	10.4	14.5	8.3
200 and over	6.7	14.0	22.8	21.6
Total	100.0	100.0	100.0	100.0
			<u>Dollars</u>	
Median	96	136	160	137
			<u>Percent</u>	
Value:				
Less than 5,000	50.1	6.4	--	.9
5,000 to 9,999	49.9	--	2.2	3.8
10,000 to 14,999	--	3.2	--	5.3
15,000 to 19,999	--	3.4	2.2	6.4
20,000 to 24,999	--	7.2	13.1	9.6
25,000 to 29,999	--	10.4	13.7	12.7
30,000 and over	--	69.4	68.3	61.3
Total	100.0	100.0	100.0	100.0

1/ Mortgage loans obtained during 1974-76.
2/ Contract rent plus utilities paid by tenant.

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Table 12--Reason for moving: Distribution of recent mortgages, 1/ by reason for moving and by mortgage type, for rural households which moved within 12 months before 1976 survey

Reason for moving	Type of mortgage			
	FmHA	FHA	VA	Conventional
	<u>Percent</u>			
To become homeowner	62.8	40.8	33.2	19.1
To acquire larger house	10.7	5.1	20.2	10.9
To acquire better house	2.3	4.5	1.4	6.0
Job related reasons <u>2/</u>	9.4	15.9	19.8	20.3
Family status changes <u>3/</u>	6.1	14.5	13.1	19.8
Neighborhood related reasons <u>4/</u>	--	2.7	5.1	4.7
Other <u>5/</u>	8.7	16.5	7.2	19.2
Total	100.0	100.0	100.0	100.0

-- = No response for this reason.

1/ Mortgage loans obtained during 1974-76.

2/ Includes: job transfers, new jobs, retirements, commuting, and other employment reasons.

3/ Includes: widowed, separated, divorced, moved nearer relatives, newly married, family increased, family decreased, wanted own household, and other family reasons.

4/ Includes: crowding, racial change in neighborhood, and the desire for better neighborhood.

5/ Includes: entered or left armed forces, displaced by construction or urban renewal, schools, more conveniences, climate, and other reasons not listed separately.

Source: 1976 Annual Housing Survey.

Table 13--Income: Distribution of rural mortgages, by household income and by mortgage type, 1976

Household income	Type of mortgage			
	FmHA	FHA	VA	Conventional
<u>Dollars</u>				
Recent mortgages: <u>1/</u>				
Less than 5,000	6.8	4.4	2.1	6.5
5,000 to 9,999	40.1	15.2	5.6	16.4
10,000 to 14,999	35.4	30.1	20.3	24.3
15,000 to 19,999	8.6	20.4	30.2	20.6
20,000 to 24,999	8.1	16.8	20.4	14.3
25,000 and over	1.0	13.1	21.4	17.9
Total	100.0	100.0	100.0	100.0
			<u>Dollars</u>	
Median income	10,433	15,083	18,652	15,679
			<u>Percent</u>	
Older mortgages: <u>2/</u>				
Less than 5,000	8.2	8.5	5.5	5.6
5,000 to 9,999	30.0	18.9	7.0	14.3
10,000 to 14,999	31.1	23.5	25.6	23.1
15,000 to 19,999	18.3	20.8	24.2	22.1
20,000 to 24,999	4.3	14.1	15.2	14.3
25,000 and over	8.1	14.2	22.5	20.6
Total	100.0	100.0	100.0	100.0
			<u>Dollars</u>	
Median income	11,901	14,828	17,465	16,586

1/ Mortgage loans obtained during 1974-76.

2/ Mortgage loans obtained before 1974.

Source: 1976 Annual Housing Survey.

mortgages. Mobile homes, though increasing in price, are generally more affordable for the low- and moderate-income family than are fixed-site houses. Forty-one percent of the mobile homes financed by use of conventional mortgages had been purchased by households incomes below \$10,000 in 1976. But only 17 percent of the conventionally financed fixed-site houses had been purchased by households with incomes that low.

Housing Costs as a Percentage of Income

The median percent of household income spent for mortgage payments by recent FmHA borrowers in rural areas was 22.9 percent; borrowers with other types of mortgages showed slightly lower medians (table 14). Buyers with older mort-

Table 14--Housing costs compared to income; Distribution of rural mortgages, by percent of income spent for housing and by mortgage type, 1976

Housing costs <u>1/</u> as a :		Type of mortgage			
percent of income :	FmHA	:	FHA	:	VA : Conventional
		<u>Percent</u>			
Recent mortgages: <u>2/</u> :					
Less than 10 :	1.8		3.2		4.0 6.0
10 to 19 :	27.6		40.8		32.6 37.5
20 to 24 :	30.5		21.8		27.7 22.5
25 to 29 :	22.4		11.7		20.3 12.0
30 to 34 :	7.8		8.9		7.1 8.7
35 and over :	9.9		13.6		8.3 13.3
Total :	100.0		100.0		100.0 100.0
Median :	23.4		21.4		22.4 21.4
Older mortgages: <u>3/</u> :					
Less than 10 :	11.7		15.3		17.0 15.4
10 to 19 :	44.2		45.6		49.5 48.5
20 to 24 :	16.9		14.3		17.8 15.6
25 to 29 :	12.2		8.5		5.6 8.4
30 to 34 :	5.7		6.9		1.8 4.6
35 and over :	9.3		9.4		8.3 7.5
Total :	100.0		100.0		100.0 100.0
Median :	18.7		17.6		16.7 17.1

1/ Sum of payments for real estate taxes property insurance, utilities, fuel, water, garbage and trash collection, and mortgage (principal and interest) at the time of enumeration.

2/ Mortgage loans obtained during 1974-76.

3/ Mortgage loans obtained before 1974.

Source: 1976 Annual Housing Survey.

gages paid a smaller median percentage of their income for housing than did recent borrowers.

Schooling and Age of Household Head

There were marked differences in the years of schooling completed by household heads, ranging from 10.4 years among FmHA borrowers to over 12 years for VA borrowers (table 15). Recent borrowers had more schooling than did borrowers with older mortgages. This was true for all types of mortgage financing.

A much greater proportion of FmHA-insured loans went to young families as compared with FHA, VA, and conventional mortgages. By making more of their loans to young families, FmHA serves an age group which has trouble obtaining a mortgage elsewhere because of downpayment requirements, lack of credit history, and the comparatively low wages and salaries paid to beginning employees. These loans require no downpayment, offer long repayment terms, and are limited to low- and moderate-income families who do not currently own an adequate home.

Household Composition

More than 84 percent of recent FmHA rural borrowers were husband and wife households (table 16). But despite this apparently high percentage, FmHA borrowers in rural areas were less apt to be husband and wife households than were conventional, FHA, or VA borrowers. The major reason for this difference was that a higher proportion of FmHA loans, compared to other mortgage types, went to female heads.

Ethnic Origin of Household Head

The proportion of nonmetro housing which was substandard dropped from 59 to 8 percent between 1950 and 1975. ^{5/} But the percent of such substandard units occupied by Blacks rose from 15 percent in 1950 to 28 percent in 1975, while the Black proportion of all nonmetro households fell from 9 percent to 7 percent. Hispanics also occupied a percentage of substandard units which was higher than their percentage of all rural households. A larger percentage of Government-assisted loans have gone to Black and Hispanic households than has been true of conventional mortgages (table 17).

Employment, Welfare, and Social Security

Respondents were asked whether the household head was employed the last week preceding the interview. Unemployment suggests a greater likelihood of loan delinquency. Ten percent of the recent FmHA mortgage holders were unemployed during the previous week (table 18). Conventional mortgage borrowers showed a

^{5/} Ronald Bird and Ronald Kampe, 25 Years of Housing Progress in Rural America, U.S. Dept. Agr., Econ. Res. Serv., AER-373, 1977.

Table 15--Schooling and age of household head: Distribution of mortgages, by highest grade completed, age of rural household head, and by mortgage type, 1976

Highest grade completed and age of household head	Type of mortgage			
	FmHA	FHA	VA	Conventional
<u>Years</u>				
Schooling:				
Recent mortgages--1/				
None	0	0	0	.1
One to eight	17.2	10.1	1.7	8.0
Nine to twelve	67.9	45.3	44.4	53.5
Some college	14.9	44.6	53.9	38.4
		<u>Years</u>		
Median	10.9	12.5	over 13	12.1
Older mortgages--2/				
		<u>Percent</u>		
None	.0	.3	.0	.1
One to eight	25.8	14.4	5.3	13.7
Nine to twelve	58.0	47.5	51.3	56.4
Some college	16.2	27.8	43.4	29.8
		<u>Years</u>		
Median	10.7	12.0	12.5	11.6
Age:				
Recent mortgages--1/				
Less than 25	24.5	12.3	1.7	13.9
25 to 34	44.4	50.4	55.3	39.4
35 to 44	20.3	24.6	27.9	24.5
45 to 54	5.5	6.3	11.9	13.3
55 to 64	2.9	5.6	3.2	6.2
65 and over	2.4	.8	-	2.7
		<u>Years</u>		
Median	30.7	32.5	33.7	34.1
Older mortgages--2/				
		<u>Percent</u>		
Less than 25	2.1	.8	-	2.2
25 to 34	38.9	26.2	26.3	25.6
35 to 44	29.9	35.7	34.2	31.7
45 to 54	14.2	23.0	29.0	23.6
55 to 64	8.0	9.7	9.1	12.0
65 and over	6.9	4.6	1.4	4.9
		<u>Years</u>		
Median	38.0	41.4	41.9	42.0

1/ Mortgage loans obtained during 1974-76.

2/ Mortgage loans obtained before 1974.

Source: 1976 Annual Housing Survey.

Table 16--Household composition: Distribution of recent rural mortgages, 1/
by composition of household and mortgage type, 1976

Composition of household	Type of mortgage			
	FmHA	FHA	VA	Conventional
<u>Years</u>				
Husband and wife:				
Less than 25	23.5	10.9	1.7	12.5
25 to 34	40.0	44.4	51.4	34.8
35 to 44	12.9	23.5	27.2	21.2
45 to 64	5.9	8.9	13.8	16.5
65 and over	1.9	0.4	0.0	2.0
Male head no wife:				
Less than 45	0.5	0.3	1.8	2.0
45 and over	0.0	0.8	0.0	.5
Female head, no husband:				
Less than 45	10.3	5.2	.4	3.7
45 and over	1.5	2.3	.3	1.1
One person:				
Less than 45	2.0	2.9	2.4	3.6
45 to 64	1.0	0.0	1.0	1.7
65 and over	.5	0.4	0.0	.4
Total	100.0	100.0	100.0	100.0

1/ Mortgage loans obtained during 1974-76.

Source: 1976 Annual Housing Survey.

slightly higher proportion unemployed, while the percentage was somewhat among FHA and VA borrowers.

Compared with recent mortgage borrowers, heads with older mortgages reported less income last week. Part of the explanation of this difference was that heads with older mortgages were aged.

That one or more members of a borrower's household had no indication of how successful Government programs were in reaching lower income families. Since the majority of those receiving welfare, slightly more than

Nine percent of the recent FmHA borrowers had no income. A greater proportion of older borrowers' households received social security benefits. Of the mortgages were themselves more often receiving social security.

Table 17--Ethnic origin: Distribution of rural mortgages, by ethnic origin of household head and by mortgage type, 1976

Ethnic origin of head	Type of mortgage			
	FmHA	FHA	VA	Conventional
	<u>Percent</u>			
Recent mortgages: <u>1/</u>				
Black	11.2	7.9	3.9	2.6
Hispanic	4.6	1.1	2.1	1.2
All other	84.2	91.0	94.0	96.2
Older mortgages: <u>2/</u>				
Black	17.7	13.2	4.6	4.1
Hispanic	3.8	3.5	1.8	.4
All other	78.5	83.3	93.6	95.5

1/ Mortgage loans obtained during 1974-76.

2/ Mortgage loans obtained during 1974.

Source: 1976 Annual Housing Survey.

HOMEOWNERS' OPINIONS ABOUT THEIR HOUSING, NEIGHBORHOOD, AND COMMUNITY SERVICES

How homeowners feel about their housing, neighborhood, and community services is important to their overall sense of satisfaction. This sense of satisfaction is influenced by how well the house is located with respect to community services. From the lender's perspective, a satisfied buyer is less apt to become delinquent in his payments. If delinquency does occur, the property would likely be easier to sell if the home is desirably located.

House and Neighborhood

Respondents were asked to rate their house as a place to live. The scale ranged from excellent to poor. Most occupants rated their housing either good or excellent. Of recent FmHA borrowers, 93 percent rated their house as good or excellent (table 19). Of all households, those with a VA mortgage most often rated their housing as either good or excellent.

For each mortgage type, a much smaller proportion of the families with older mortgages rated their housing as excellent, compared with recent borrowers. Borrowers with older mortgages more often rated their house as fair or poor than was the case for more recent borrowers.

Eighty-four percent of recent FmHA borrowers rated their neighborhood as good or excellent. A slightly higher percent of rural households with older FmHA mortgages rated their neighborhood as good or excellent. Households with FHA, VA, and conventional mortgages more often rated neighborhoods excellent than FmHA borrowers.

Table 18--Employment, welfare, and social security: Distribution of rural mortgages, by employment status of household head in week before survey, by household receipt of welfare, by household receipt of social security, and by mortgage type, 1976

Employment, welfare, and social security status	Type of mortgage			
	FmHA	FHA	VA	Conventional
	<u>Percent</u>			
Employed previous week:				
Recent mortgages-- <u>1</u> /				
Employed	90.1	92.7	91.8	89.3
Unemployed	9.9	7.3	8.2	10.7
Older mortgages-- <u>2</u> /				
Employed	84.4	82.6	90.9	86.7
Unemployed	15.6	17.4	9.1	13.3
Received welfare:				
Recent mortgages-- <u>1</u> /				
Yes	6.3	5.2	.7	3.0
No	93.7	94.8	99.3	97.0
Older mortgages-- <u>2</u> /				
Yes	8.4	6.0	.6	2.6
No	91.6	94.0	99.4	97.4
Received social security:				
Recent mortgages-- <u>1</u> /				
Yes	8.8	6.6	4.3	8.4
No	91.2	93.4	95.7	91.6
Older mortgages-- <u>2</u> /				
Yes	15.4	14.0	8.3	12.8
No	84.6	86.0	91.7	87.2

1/ Mortgage loans obtained during 1974-76.

2/ Mortgage loans obtained during 1974.

Source: 1976 Annual Housing Survey.

Table 19--House and neighborhood satisfaction: Distribution of rural mortgages, by level of mortgage holder satisfaction with house and neighborhood and by mortgage type, 1976

House and neighborhood rating	Type of mortgage			
	FmHA	FHA	VA	Conventional
	<u>Percent</u>			
House:				
Recent mortgages-- <u>1</u> /:				
Excellent	41.8	52.5	51.0	49.4
Good	50.7	40.6	45.7	40.8
Fair	7.0	6.5	3.0	9.2
Poor	.5	.4	.3	.6
Older mortgages-- <u>2</u> /:				
Excellent	34.8	37.9	34.0	43.5
Good	53.5	53.4	60.0	46.3
Fair	11.3	8.5	6.0	9.7
Poor	.4	.2	0	.5
Neighborhood:				
Recent mortgages-- <u>1</u> /:				
Excellent	26.2	42.1	46.1	45.7
Good	57.5	45.3	50.6	42.9
Fair	14.9	11.9	3.0	10.3
Poor	1.4	.7	.3	1.1
Older mortgages-- <u>2</u> /:				
Excellent	29.3	35.2	34.3	45.1
Good	58.1	49.9	54.1	44.5
Fair	11.9	14.0	11.3	9.2
Poor	.7	.9	.3	1.2

1/ Mortgage loans obtained during 1974-76.

2/ Mortgage loans obtained during 1974.

Source: 1976 Annual Housing Survey.

Schools, Police and Fire Protection, and Medical Facilities

More than 95 percent of recent FmHA borrowers considered their schools as adequate, about the same as did other recent borrowers (table 20).

A sense of personal security in the home and neighborhood is an important element of a person's feeling of well-being. Over 80 percent of each type of mortgage borrower, whether recent or older, felt that their police protection was adequate. Additional tabulations showed that 98 percent of FmHA borrowers living in urban areas had confidence in their police protection.

Table 20--Schools, police and fire protection, and medical facilities: Distribution of rural mortgages, by borrowers' rating of services and by mortgage type, 1976

Adequacy of services	Type of mortgage			
	FmHA	FHA	VA	Conventional
	<u>Percent</u>			
Schools:				
Recent mortgages-- <u>1</u> /				
Adequate	95.4	96.1	94.8	93.6
Inadequate	4.6	3.9	5.2	6.4
Older mortgages-- <u>2</u> /				
Adequate	97.0	92.8	91.8	94.9
Inadequate	3.0	7.2	8.2	5.1
Police:				
Recent mortgages-- <u>1</u> /				
Adequate	84.5	81.0	86.9	83.3
Inadequate	15.5	19.0	13.1	16.7
Older mortgages-- <u>2</u> /				
Adequate	83.1	83.3	85.4	84.0
Inadequate	16.9	16.7	14.6	16.0
Fire:				
Recent mortgages-- <u>1</u> /				
Adequate	86.1	84.4	92.9	85.8
Inadequate	13.9	15.6	7.1	14.2
Older mortgages-- <u>2</u> /				
Adequate	81.1	88.2	91.4	89.3
Inadequate	18.9	11.8	8.6	10.7
Hospitals/clinics:				
Recent mortgages-- <u>1</u> /				
Adequate	74.3	73.4	71.4	75.7
Inadequate	25.7	26.6	28.6	24.3
Older mortgages-- <u>2</u> /				
Adequate	66.9	77.9	73.9	78.4
Inadequate	33.1	22.1	26.1	21.6

1/ Mortgage loans obtained during 1974-76.

2/ Mortgage loans obtained before 1974.

Source: 1976 Annual Housing Survey.

Insurance costs may be higher in rural areas because of difficulties caused by distance from fire departments and the lack of suitable water supplies for controlling fires. But a high proportion of rural borrowers, regardless of the type of mortgage, felt that their fire protection was adequate. Eighty-six percent of the recent FmHA borrowers said that their fire protection was adequate.

A great deal of concern has been expressed about the adequacy of hospitals and doctor clinics serving rural health needs. The perceived deficiency in diagnostic and hospital care is larger than that for any other community service considered in this study. Seventy-four percent of the FmHA borrowers with recent mortgages rated their hospitals and doctor clinics as adequate. This differed little from the proportions of borrowers with other types of mortgages who viewed their health care facilities as adequate.

Distance to School, Shopping, and Work

The time spent by students traveling to and from school may affect the homeowner's satisfaction with location. Only half of the FmHA borrowers with recent mortgages stated that their house was close to schools (table 21). FmHA borrowers with older mortgages were better positioned in this respect.

Table 21--Proximity to schools and shopping: Distribution of rural mortgages, by nearness to schools and shopping and by mortgage type, 1976

Nearness to schools and shopping	Type of mortgage			
	FmHA	FHA	VA	Conventional
	<u>Percent</u>			
Schools:				
Recent mortgages-- <u>1</u> /:				
Convenient	50.0	55.9	67.0	54.2
Not convenient	50.0	44.1	33.0	45.8
Older mortgages-- <u>2</u> /:				
Convenient	61.1	63.1	70.4	63.8
Not convenient	38.9	36.9	29.6	36.2
Shopping:				
Recent mortgages-- <u>1</u> /:				
Convenient	39.2	45.1	47.3	40.4
Not convenient	60.8	54.9	52.7	59.6
Older mortgages-- <u>2</u> /:				
Convenient	38.5	44.2	45.0	46.4
Not convenient	61.5	55.8	55.0	53.6

1/ Mortgage loans obtained during 1974-76.

2/ Mortgage loans obtained before 1974.

Source: 1976 Annual Housing Survey.

About 46 percent of the heads of recent FmHA borrower households traveled less than 10 miles to work and another 41 percent traveled more than 10 but less than 30 miles (table 22). FmHA borrowers and conventional mortgage borrowers traveled about the same distance to work. FmHA and conventional borrowers traveled a shorter distance to work than did borrowers with FHA and VA mortgages. FmHA borrowers with recent mortgages traveled a shorter distance to work than did those with older mortgages.

Distance to work		Type of mortgage					
	FmHA	:	FHA	:	VA	:	Conventional
Miles	Percent						
Recent mortgages: 1/:							
Works at home	0.0		0.0		0.5		0.5
Less than 10	45.8		39.7		38.9		47.1
10 to 29	41.0		46.3		50.5		39.6
30 or more	13.2		14.0		10.1		12.8
Miles							
Median	12.0		14.4		14.2		11.2
Percent							
Older mortgages: 2/:							
Works at home	1.0		.5		.4		
Less than 10	38.0		46.6		42.5		
10 to 29	47.8		40.7		40.8		
30 or more	13.2		12.2		16.3		
Miles							
Median	14.6		11.4		13.5		

2/ Mortgage loans obtained before 1974.

*U.S. GOVERNMENT PRINTING OFFICE : 1979